

# **Behavioural Insights Applied to Policy**

## **Application to specific policy issues and collaboration at EU level**

Workshop Report

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## 1. Context, objectives, participants and agenda

### 1.1. Context

On 22 February 2016, the Foresight and Behavioural Insights Unit – of the European Commission's Joint Research Centre – published the "[Behavioural Insights Applied to Policy: European Report 2016](#)" (BIAP 2016). The report provides a twofold overview of (1) behavioural initiatives in different policy areas and (2) institutional developments regarding the policy application of behavioural insights in Europe. Furthermore, it is complemented by country specific information<sup>1</sup> made available through a set of dynamic [Country Overviews](#). The report was presented at a [launch event](#). Comments about the report from speakers at this event can be found in this short [video](#).

### 1.2. Workshop objectives

In the context of the publication of BIAP 2016, the Foresight and Behavioural Insights Unit hosted a workshop in Brussels on 23 February 2016 gathering government representatives from European countries, as well as staff from the European Commission and the OECD.

The two main objectives of the workshop were the following:

1. To examine a variety of **policy issues from a behavioural perspective**.  
Specifically, the workshop served as an opportunity to explore how behavioural approaches can be used to tackle policy issues in the areas of consumer protection, employment, environment, health, public sector modernisation and reform, and taxation.
2. To explore ways to strengthen **cooperation at EU level** on the application of behavioural insights to policy.

In pursuing these two main objectives, the workshop also allowed for the possibility for Member States to share their knowledge, experiences and best practices in the application of behavioural insights to policy, thereby raising awareness and levelling knowledge in this field.

### 1.3. Participants and agenda

A total of 56 participants attended the workshop, which included 34 government representatives from 20 European countries (EU Member States and Norway), 20 civil servants from seven European Commission Directorate-Generals, and 2 OECD staff members. A complete list of organisations represented at the workshop can be found in the annexes (Section 6.1).

The workshop consisted of a one full-day discussion and was structured around the above-mentioned objectives. Please refer to the annexes (Section 6.2) for the full agenda.

## 2. Applying behavioural insights to specific policy issues

The first hands-on session focused on the application of behavioural insights to the following seven policy areas: consumer protection (general), consumer protection (financial), employment, environment, health, public sector modernisation and reform, and taxation.

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<sup>1</sup> We expect to be able to update these country overviews on a regular basis and, to contribute to this goal, we invite you to [provide us with your input](#) about the developments in your country with regards to the application of behavioural insights to policy.



At each table, the facilitator introduced 3-4 policy issues containing a behavioural element, i.e., an aspect of a policy problem where human behaviour is central, either because behavioural change is the main objective of a policy initiative or because people's response to this intervention will determine its success ([Van Bavel, Herrmann, Esposito, & Proestakis, 2013](#)). A set of possible policy issues were identified prior to the workshop through an online survey sent to non-Commission participants and through insights from the report BIAP 2016. At each table, participants briefly discussed the suggested policy issues and selected one to be analysed from a behavioural perspective. The list of selected policy issues is presented below:

Policy area	Policy issue
Consumer protection (general)	How to encourage consumers to use Alternative and Online Dispute Resolution procedures?
Consumer protection (financial)	How to improve consumers' understanding of the risk/reward profile of financial products?
Employment	How to apply behavioural insights to recruitment and have more inclusive work environments?
Environment	How to incentivise consumers to dispose of products in a more environmentally-friendly way?
Health	How to tackle obesity?
Public sector modernisation and reform	How to encourage staff to embrace changes in administrative procedures?
Taxation	How to increase tax compliance?

After selecting the policy issue, participants at each table followed the proposed methodology detailed in a template policy card (see annex in Section 6.3) that consisted of several sequential steps:

- What is the current picture of the policy issue?
- Is there a "behavioural element" explaining the policy issue?
- What are the behavioural levers (vs. standard tools) available to tackle the policy issue?
- How can the behavioural levers be tested and practically adopted?
- What are the pitfalls to avoid when incorporating behavioural insights to this policy? How should the results of behavioural trials be communicated to the public?

The results of the discussions around each policy issue<sup>2</sup> are presented in the next sections.

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<sup>2</sup> We would like to warmly thank our colleagues from the Joint Research Centre – Jonas Fooker (Unit I.2.), Benedikt Herrmann (Unit I.2.), Eugenia Polizzi Di Sorrentino (Unit I.2.), and René van Bavel (Unit J.3.) – for their valuable support at their respective table discussions and for writing up their results.

## 2.1. Consumer protection (general)

### **Policy issue: how to encourage consumers to use Alternative and Online Dispute Resolution procedures?**

#### **1. What is the current picture of the policy issue?**

- Law procedures usually take a long time, are expensive and have uncertain outcomes. Consumer welfare is generally low in law procedures: in most cases the outcome is more favourable to traders. Thus, there is a need for a swift resolution of consumer disputes and for reaching good outcomes at less cost.
- On 21 May 2013, the European legislator adopted a regulation on [Online Dispute Resolution](#) (ODR) and a directive on [Alternative Dispute Resolution](#) (ADR), complemented in 2015 by an Implementing Regulation on consumer ODR.
- Access to ADR is ensured no matter what product or service is purchased (only disputes regarding health and higher education are excluded), whether the product or service was purchased online or offline and whether the trader is established in the consumer's Member State or in another Member State.
- In the European Union, ADR/ODR procedures can take different forms and can have different names, e.g., arbitration, mediation, ombudsmen, complaints boards.
- Denmark applied behavioural insights to test ADR implementation with an eye to increasing non-litigation and to decreasing the Administration's supervision of consumer disputes. The explanation of the intervention can be found in Step 4.

#### **2. Is there a "behavioural element" explaining the policy issue?**

The legislation on ADR and ODR allows consumers and traders (the target population) to resolve their disputes without going to court, in an easy, fast and inexpensive way (the desired outcome). Nevertheless, the use of ADR/ODR procedures is still not widespread. Several behavioural elements were identified to account for this:

- **Little awareness** about ADR/ODR procedures and about consumer rights: consumers in particular have little awareness about ADR/ODR agreements.
- **Hyperbolic discounting**: people tend to be short-sighted when making decisions,

overvaluing immediate costs or benefits against future ones. The present costs (time and money) of filling a complaint might be perceived as too high compared to a future outcome, that can be either positive or negative.

- **Loss aversion**: the preference for avoiding loss (the likelihood of a negative outcome of the dispute) is widely considered to be greater than the preference for gain.
- **Complexity** of administrative and legal procedures: resolving a problem or dispute is often a multistep process that requires consumers and traders to enquire through several channels. These steps create built-in barriers leading to increased inertia and reducing the likelihood that consumers or traders will be able and willing to follow through with their complaint until they are fully satisfied.

#### **3. What are the behavioural levers (vs. standard tools) available to tackle the policy issue?**

The provision of general information about ADR/ODR procedures is not sufficient to encourage their use. For each behavioural element, a possible lever can be identified:

- On little awareness about ADR/ODR procedures and about consumer rights: **education** (e.g., in the workplace, schools) and targeted information campaigns may be helpful.
- On hyperbolic discounting: if consumers/traders are provided with a **structure of the steps** to take and with advice (including management of expectations and use of commitment devices), present costs can be mitigated against potential future negative outcomes.
- On loss aversion: **salience and framing** can help via, e.g., the use of positive messages such as "most consumers/traders solve their disputes in less than 6 months".
- On complexity of administrative and legal procedures: providing **standardised and simple information** about the ADR/ODR process would help consumers and traders navigate and use them.

- There is also the possibility of using ADR/ODR procedures as the **default mechanism** to address consumer disputes, hence nudging consumers and traders to deal with disputes in a more informal way and thereby decreasing the number of unnecessary court cases.

#### 4. How can the behavioural levers be tested and practically adopted?

The Danish Competition and Consumer Authority applied behavioural sciences in the implementation of ADR. A randomised controlled trial was conducted with a sample of 400 consumers to test different ways of framing complaint forms:

- a structured overview of the complaint, to make it easier for consumers to reach an agreement;
- information and guidance on the steps to take, including clear deadlines such as "the consumer has 40 days to approach the trader with the complaint";
- the logo of the Danish Competition and Consumer Authority.

The Authority also gave consumers a realistic overview of the complexity (time, effort) of law procedures and used positive messages to communicate with and motivate consumers throughout the process ("most ADR cases are solved by the consumer without any need for the involvement of a court").

Cases were tracked for a year. The new form led to positive outcomes which informed the implementation of the ADR Directive in Denmark. Nowadays, in Denmark 80% of consumer disputes are solved without the need for court procedures.

#### 5. What are the pitfalls to avoid when incorporating behavioural insights to this policy? How should the results of behavioural trials be communicated to the public?

The simplification and efficiency of dispute resolution procedures can lead to a **change in the employment landscape**. For instance, it can result in a rise in more specialised job types or in job cuts in justice due to a likely decrease in court procedures.

Communication strategy with the public:

a. **focusing on outcomes** and in "easy procedures" is more effective than delivering overly detailed explanations of technical aspects.

b. concerns around **transparency**: an early involvement of legal, communication, and business experts will lead to greater coordination, information sharing and sense of ownership of the initiative.

## 2.2. Consumer protection (financial)

**Policy issue:** *how to improve consumers' understanding of the risk/reward profile of financial products?*

### 1. What is the current picture of the policy issue?

Consumers of financial products (i.e., small individual investors) often have a limited or **insufficient knowledge** about the risk profile of their investments.

This can be as basic as not knowing about the correlation between risk and return, i.e., the higher the return, the higher the riskiness of an investment.

In the end it is consumers' decision what to invest in. However, they should be provided with **correct information** by suppliers of financial products. And they may have to be protected against their own mistakes.

### 2. Is there a "behavioural element" explaining the policy issue?

Lack of understanding is a basic problem but not a core "behavioural" element. However, the lack of financial literacy is often exacerbated by behavioural elements. These include:

- the complexity of products and limits to **cognitive capabilities** of investors;
- **overconfidence** in investment decisions, including the mistake of attributing one's successful investments to one's own ability while actually being random;
- **time inconsistency**.

### 3. What are the behavioural levers (vs. standard tools) available to tackle the policy issue?

Some of the solutions may address the general problem of limited knowledge as well as the behavioural issues.

For example, **financial training** could bring improvements. Clearly, the question is how to get people to attend a training course. The easiest way would be to approach schools, as it was done in Poland. For older adults training-for-reward schemes might be useful. Rewards could include lottery tickets, as they may be particularly appealing to individuals with skewed probability perceptions.

Another option could be an increased use of **"financial driver's licenses"**. These would imply

that certain, highly risky or complex investment decisions can only be made by individuals who have been tested on their general understanding of the structure of financial products. Individuals could also be incentivised into such a license by their peer network.

Another approach would be to require **"cooling-off" periods** before certain financial investments can be finalised.

Also a more **transparent communication of risks** in an investment may be helpful.

PROBLEM	POTENTIAL SOLUTIONS
0. FINANCIAL LITERACY + BASIC UNDERSTANDING	FINANCIAL TRAINING - POLISH SCHOOL PROJECT ES. - REWARD PARTICIPATION WITH LOTTERIES - LINK TO AN "INVESTMENT LICENSE"
1. COMPLEXITY OF PRODUCTS + COGNITIVE LIMITS	"INVESTMENT LICENSE" - UNLOCKS CERTAIN PRODUCTS - TRAINING + TEST - USE SOCIAL PRESSURE + PEER NETWORKS TO CREATE NEW SOCIAL NORMS
2. OVERCONFIDENCE	BETTER COMMUNICATIONS - SIMPLER / SMARTER / INTERACTIVE - FIND THE RIGHT GRAPH - USE GAMES + SIMULATIONS
3. TIME INCONSISTENCY	COOLING OFF PERIODS - ENCOURAGE USE OF DISCLOSURE - REDUCE IMPULSIVE INVESTMENTS - MAY & PARTICIPATION

### 4. How can the behavioural levers be tested and practically adopted?

Behavioural approaches, but also other ones, are continuously being tested by the local regulators across Europe. There is no one-fits-all approach, but this approach provides some natural **"experimentation"** across states. Exchanging results and evaluations from these country experiences is therefore helpful.

Some regulators also **collaborate with academics**. However, this approach does not appear suitable for all countries.

A significant behavioural focus can be created by hiring graduates with knowledge in behavioural economics. The UK is an example for this. Cross-country comparisons then lead to a pull-effect for other countries.

## 5. What are the pitfalls to avoid when incorporating behavioural insights to this policy? How should the results of behavioural trials be communicated to the public?

Investors want to make investment choices. The regulator should therefore try to **avoid interfering too much**, even if it is well-intended. The consumer should make the decisions s/he thinks are best. Any **nudges should be open**, hence manipulation of consumer choices has to work even when telling consumers that they are being incentivized in a given direction, as they need to agree with it.

There is no real difference to other policies in terms of **communication**, except that it needs to be more **open** than others. However, there are no objectively correct or mistaken choices; therefore freedom of choice needs to prevail. The regulator does not want to be the culprit of unsuccessful investment choices.



## 2.3. Employment

**Policy issue: how to apply behavioural insights to recruitment and have more inclusive work environments?**

### 1. What is the current picture of the policy issue?

Recruitment is an area particularly ripe for the application of behavioural insights. Large corporations have a polished human resources department, and are perhaps better equipped to deal with challenges requiring a behavioural approach. This is not necessarily the case with small companies. The following two challenges have been identified.

First, very small companies, or micro-enterprises, often have great growth potential. However, there appears to be a barrier for entrepreneurs to hire their first employee, even in cases where they have the financial resources to do so and where it would clearly be to their benefit. This is the so-called "**recruitment challenge** of micro-enterprises".

Second, the inequalities seen in society (i.e., fewer opportunities for women, ethnic minorities, the disabled, etc.) are replicated in the workforce. These members of society do not have equal access to the labour force and find themselves disadvantaged. The same applies to the long-term unemployed, who find it difficult to re-enter the labour force. This issue can be called the "**diversity challenge**".

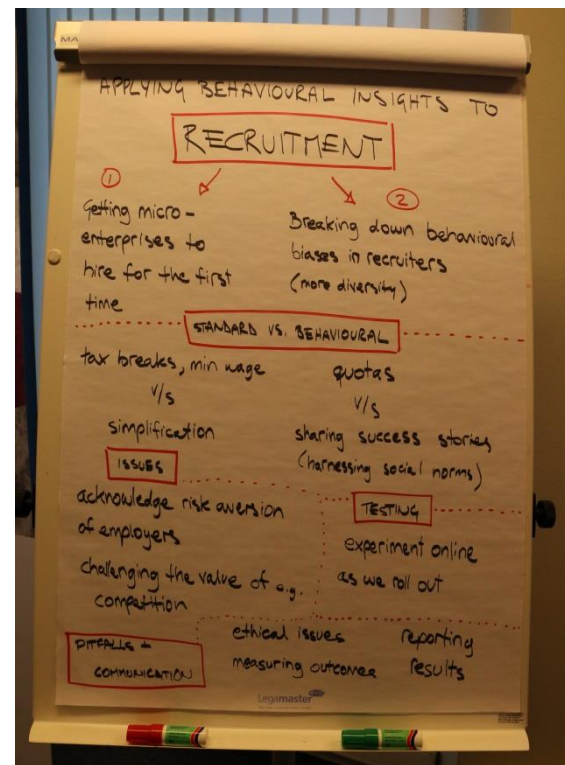
### 2. Is there a "behavioural element" explaining the policy issue?

Yes, there is definitely a behavioural element to both these challenges:

- For the recruitment challenge of micro-enterprises, **administrative burden** might **discourage** entrepreneurs. Entrepreneurs might be unfamiliar with the process which may seem daunting to them, and as a result they may choose to continue with the staff arrangement they already have in place.
- For the diversity challenge, it is well known that people have a better attitude toward those who are similar to them, and this **bias** carries over to recruitment processes. So, presumably, employers will tend to favour people who remind them of themselves and tend to undervalue people who are different. Also, there is a **negative perception** of the long-term unemployed, which harms their prospects of being employed. Employers are risk averse. Employing

someone is a huge risk and employers tend to play it safe and go with what they are already familiar with. Employers are probably biased without knowing it, and are probably driven more by a **fear of the unknown** than anything else.

### 3. What are the behavioural levers (vs. standard tools) available to tackle the policy issue?



The possible standard solutions are:

- For the recruitment challenge of micro-enterprises, **tax breaks** for hiring new people could be applied to first-time employers. Also, lowering the minimum wage is a traditional policy measure used to increase employment.
- For the diversity challenge, official or unofficial **quotas** are traditional policy solutions. These quotas can be applied to the workforce or to the selection panels doing the recruiting.

The possible behavioural levers are:

- For the recruitment challenge of micro-enterprises, Sunstein's mantra of "**simplify**" could be applied. Hiring a new employee could

simply be made extremely easy and user-friendly.

- For the diversity challenge, one could **highlight success stories** from other companies, which could be told from the perspective of the employer who took a chance on someone who was different from him or her and who proved to produce excellent work. This sort of initiative would allow prospective employers to empathise with what they are seeing and could harness the persuasive role of **social norms**. One cannot expect to change the profile of people who get employed unless we **challenge** some existing **values**. For example, competition and assertiveness (traditionally considered 'masculine' traits) are highly valued traits in the workforce. But they can be pernicious, by e.g., undermining collaboration and teamwork. Thus, unless these values are changed and other values are emphasized, employers will always end up hiring the same type of people.

#### 4. How can the behavioural levers be tested and practically adopted?

Regarding the recruitment challenge, an option is to run online **randomised control trials** by presenting different ways of processing online all the government paperwork required for hiring an employee (e.g., tax, social security, etc.). Based on results, the online processing method that works best could be identified and this technique could then be tested in a country or region.

#### 5. What are the pitfalls to avoid when incorporating behavioural insights to this policy? How should the results of behavioural trials be communicated to the public?

Regarding pitfalls:

- For the recruitment challenge of micro-enterprises, there is an **ethical concern** if you provide differentiated ways of processing the paperwork as part of a randomised controlled trial. Companies that get access to the 'bad' one may complain and feel discriminated, as they do not have access to

the best government service available. One could avoid this by taking the existing administrative procedures for recruitment as the control condition and implementing two alternative methods as the experimental treatments.

- For the diversity challenge, the main challenge lies in **measuring the outcomes**. How can the success of an initiative be assessed if there is no counterfactual? Also, even if there were such counterfactual (e.g., by isolating some companies receiving a treatment from others), which dependent variable (e.g., number of hires of ethnic minorities or women) should be used to measure success? This issue is sensitive and brings about a number of problems. For example, if a company with predominantly female recruiters hires a woman, is this a success or a failure? To overcome this, one needs to **capture many measures** rather than relying on a single one.

Regarding a communication strategy:

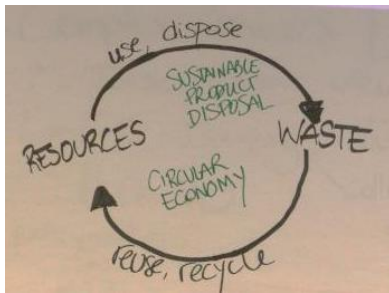
- Communication of the results of behavioural experiments should be quite **targeted** to micro-enterprises. Individualised approaches by governments or industry organisations might be enough to get the communication message across. Companies can be easily accessed as they have to be registered. When communicating to the larger public, however, the results of the randomised controlled trial can be advertised and show the effectiveness of simplification.
- One can capitalise on "**employer branding**", whereby companies that are inclusive and diverse can advertise themselves as 'good employers' and attract the best talent. This may be particularly relevant for millennials, who most likely have a different set of priorities when choosing a job than older generations - valuing things such as flexibility, good working environment and the possibility to learn something more than simply money. The communication strategy would attempt to sell the idea to companies that if they become more diverse, they will benefit by attracting the best talent.

## 2.4. Environment

**Policy issue:** *how to incentivise consumers to dispose of products in a more environmentally-friendly way?*

### 1. What is the current picture of the policy issue?

Resource depletion is a major issue for the environment and it is crucial that citizens dispose of waste in an environmentally-friendly way. From a **circular economy** perspective, the very concept of waste is to be refused, as waste should be considered as a resource through reuse and recycling following a closed loop.



Different actors can contribute to environmentally-friendly waste disposal, such as households, national and local governments, businesses and the waste management industry. However, behavioural insights are likely to be more relevant at the **household level**.

### 2. Is there a "behavioural element" explaining the policy issue?

Households are influenced by a number of behavioural elements because behavioural change is the main objective of policies directed towards environmentally-friendly waste disposal:

- **Knowledge about environmental issues:** some citizens may be myopic about the future consequences of environmental depletion; others may deny the problem altogether.
- **Ease, effort, availability and knowledge about waste sorting:** some urban myths exist regarding the way waste should be sorted and how it is taken care of by public authorities; there is some confusion regarding how waste should be separated, especially since rules vary between countries, regions and even municipalities; people may perceive that waste sorting is too complicated or too demanding.
- **Motivation:** some citizens may have little intrinsic motivations to sort waste, for instance, because they perceive that they

have no personal responsibility in dealing with these environmental issues, because they perceive their personal contribution as insignificant, or because there is little or no monetary incentive. Households may also have little social motivation to participate in environmentally-friendly waste sorting, since this private behaviour is not socially visible and thus not rewarded by social recognition nor subjected to social disapproval.

- **Inertia:** changing households' behaviour and promoting a change in the way people sort their garbage is difficult, because people are by default reluctant to change.

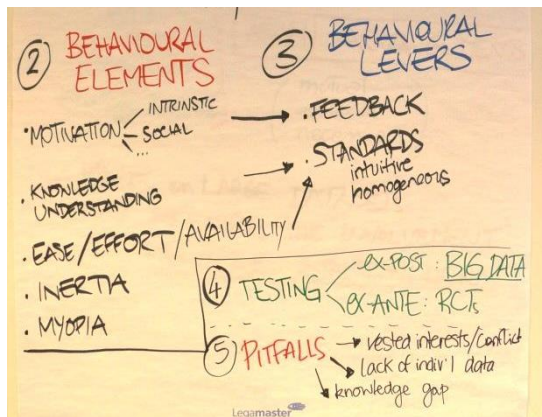
There is no silver bullet, no one-size-fits-all solution. All behavioural elements should thus be dealt with to tackle this multi-factor problem.

### 3. What are the behavioural levers (vs. standard tools) available to tackle the policy issue?

For each behavioural element, a possible lever was identified:

- Knowledge about the environmental issues: **education** at school is fundamental, as kids can subsequently inform their parents about the severity of environmental issues and possibly instruct them on how best to take action.
- Ease, effort, availability and knowledge about waste sorting: **education**, again, can be used to spread knowledge about the guidelines for waste separation via children; citizens should be better **informed** about how separate waste is used by recycling partners; waste sorting should be made **user-friendly** through intuitive colour coding for separate waste bins; the kitchen industry should play a role during the design process in allowing sufficient space for different bins; municipalities can **increase the ease** of waste sorting by promoting door-to-door separate waste collection and sending reminders about these to citizens, as evidence shows that SMS reminders seem to increase recyclable waste disposal; sorting guidelines and colour coding should also be **standardized** across the EU to ensure a homogeneous understanding.

- **Motivation:** it is possible to increase citizens' intrinsic motivations to participate in waste sorting by sending them (individual or collective) **feedback** about their "waste sorting performance"; this symbolic reward can bring a positive sense of **recognition** to those who participate in the waste sorting system; this feedback could also be made public within neighbourhoods so as to increase the **visibility** of this private behaviour.
- To tackle inertia, a self—regulatory strategy can be used, which applies in response to a future event, and puts the focus on when, where and how a given behavioural change is attainable. It is called **implementation intention** and is already used in helping the unemployed back to work.



#### 4. How can the behavioural levers be tested and practically adopted?

To adopt the behavioural approach, ex-post testing should use open **big data** in collaboration

with local garbage collection and recycling firms and local governmental authorities.

Ex-ante testing can occur through **randomised controlled trials** testing the different possible interventions, first at neighbourhood level before scaling up the intervention.

This testing should follow a review of the **scientific evidence**.

#### 5. What are the pitfalls to avoid when incorporating behavioural insights to this policy? How should the results of behavioural trials be communicated to the public?

The identified likely pitfalls of using behavioural insights to incentivise environmentally-friendly waste disposal are:

- Policy-makers' **resistance to change**;
- Potential **conflicts of interest** of garbage recycling and garbage collection companies, because, for instance, some of them may be paid based on the weight of residual – non-recyclable – waste;
- **Lack of individual data**, for example regarding households' performance in correctly sorting waste;
- **Knowledge gap** between national or regional behavioural insights team, as well as between local authorities and businesses dealing with waste management.



## 2.5. Health

### Policy issue: *how to tackle obesity?*

#### 1. What is the current picture of the policy issue?

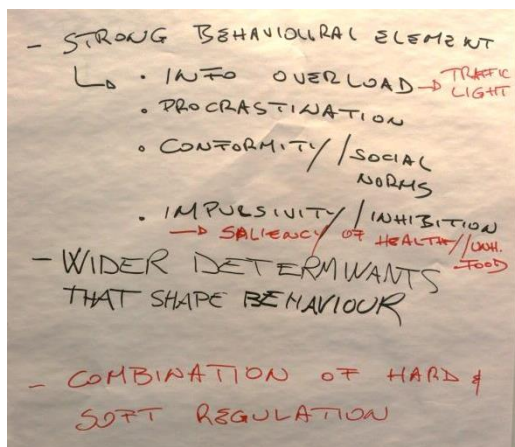
Obesity is a well-defined issue in the political agenda of the EU. This epidemic has a considerable **impact on healthcare**, both in terms of cost and resources. Determinants can be found in the market structure, in the socio-economic environment as well as in the educational system.

From a policy perspective, the combat against obesity is inherently **complex**, as it involves many different stakeholders at different levels of operation (transnational, national and lower levels), who have to decide among many diverse interventions (soft vs. hard regulation).

#### 2. Is there a "behavioural element" explaining the policy issue?

Obesity is characterised by a strong behavioural component. Policy-makers are interested in achieving a behaviour change, ultimately driving citizens towards making healthier diet and lifestyle choices.

Moreover, as humans (and consumers), we are subject to many different **behavioural biases** that pose a constraint between our willingness to live a healthier lifestyle and our actual behaviour (e.g., attitude-behaviour gap, procrastination, impulsivity). Consumers may also have difficulties in choosing healthy food due to limits in their **cognitive** abilities: because they are bombarded with product labelling and advertising, it is not always easy to see and treat the nutritional information of food.



#### 3. What are the behavioural levers (vs. standard tools) available to tackle the policy issue?

**Default effects** may work well in the context of increasing healthier diet and lifestyle choices in the consumer domain (e.g., by making the healthiest choice the default choice). **Social norms** may also prove efficient in steering consumers toward healthy food.

**Choice architecture** strategies that promote the availability and accessibility of healthier choices (e.g., decreasing size of plates, reducing the saliency of unhealthy options) also go in this direction, along with redesigning **nutritional labelling** to take into account cognitive overload constraints (e.g., traffic lights labels) as well as reformulation of **standards** (packaging, size of portions).

The adoption of a behavioural approach is not a "silver bullet": a **combination** of both soft regulation (e.g., behavioural interventions, stakeholder- and member state discussion platforms) and hard regulation (e.g., sugar and fat taxes, subsidies for healthy food) may be the most effective way to tackle the problem of obesity.

#### 4. How can the behavioural levers be tested and practically adopted?

As policy-makers, building **partnerships with academia** allows the application of existing knowledge to real policy issues without too much burden (both in terms of capacity and resources). **Testing the scalability** of interventions would be strongly advised, as would envisaging the use of robust tools to test the effectiveness of such interventions.

#### 5. What are the pitfalls to avoid when incorporating behavioural insights to this policy? How should the results of behavioural trials be communicated to the public?

**Discussion platforms** (e.g., platform for Action on Diet, Physical Activity and Health; High level group for Nutrition and Physical activity) and other communication strategies are important tools to share information among different stakeholders and member states regarding both successes *and* failures of in-place interventions.



## 2.6. Public sector modernisation and reform

### Policy issue: *how to encourage staff to embrace changes in administrative procedures?*

#### 1. What is the current picture of the policy issue?

Organisational change is meant to bring improvements to existing processes, but often triggers **resistance** from employees. A number of factors were identified as contributing to the staff's potential reluctance to administrative changes: current **incentive structure** (e.g., threat of losing economic privileges or power), (low) value of the operational staff feedback, **personal characteristics** (e.g., age, skill level), and current staff **workload** (a change is likely to increase workload, which may be especially perceived as negative in cases where resources are limited).

Additionally, the following aspects were deemed most relevant to get staff to embrace administrative changes: clear problem definition and diagnosis, explicit goals, and finally staff involvement at all stages in order to get their buy-in.

#### 2. Is there a "behavioural element" explaining the policy issue?

A number of behavioural elements can be identified within this policy issue:

- **Lack of intrinsic and extrinsic motivation:** some staff may have little motivation to embrace change, for instance, because they may perceive their personal contribution as insignificant, or because they may fear that it will threaten their comfort (e.g., potentially significant time investment and cognitive effort needed to learn new things/methods), or their job security/benefits. Staff may also have little social motivation to participate in administrative change since this private behaviour may not be immediately visible at an organisational level and thus rewarded by social recognition. Finally, when the majority of staff is not keen to embrace change, peer pressure can further have a negative effect on motivation.
- **Existing organisational culture**, such as an existing "tradition" of decisions usually taken by division heads, rather than through an open, co-design approach with staff.
- **"What You See Is All There Is"** ("WYSIATI", as introduced by D. Kahneman): failure to consider complexity and tendency to refer to a limited number of examples as representative of the issue, which can result

in the false assumption that a future change will mirror a past one.

- **Inertia:** changing behaviour and promoting a change is difficult, due to established habits and because people are by default reluctant to change.
- **Intention-behaviour gap:** some staff may agree that change is important and may be willing to contribute, but in the end, only a few may actually act upon this intention.

Participants agreed that there was no silver bullet, no one-size-fits-all solution. All behavioural elements should thus be considered when tackling this multi-factor problem.

#### 3. What are the behavioural levers (vs. standard tools) available to tackle the policy issue?

For each behavioural element, a possible lever can be used to promote staff's acceptance of change in administrative procedures.

- On motivation, it is possible to increase staff motivation to embrace change by setting **"commitment contracts"** establishing clear goals, along with the potential negative consequences of failing to meet the contract, and by providing them with **regular feedback** used as a symbolic reward leading to a positive sense of recognition.
- At the level of organisational structure, participants stressed the importance of **involving staff** and of co-designing changes with them. This is linked with the so-called "IKEA effect", which results in increased value attributed to something when the individual is involved in its creation through his or her effort. This was also seen as important to understand what the right incentives for staff might be. Additionally, if the changes affect **users** of public services, it is important to involve them, e.g. by gathering their feedback on the old vs. revised procedures.
- On WYSIATI, **regular communication** (e.g., strategy meetings twice a month) is important to avoid misunderstanding.
- On inertia, there is the possibility of **aligning** administrative changes **to other ongoing changes**, because individuals may be more receptive to change this way.

- On the intention-behaviour gap, a structured **reward programme** might be effective at promoting change.

#### 4. How can the behavioural levers be tested and practically adopted?

Ex-ante testing can occur through **randomised controlled trials** to test the effect of the intervention, possibly at a department level, before scaling up the intervention. Testing should be preceded by a review of the available **research evidence**. Beyond randomised controlled trials, using a combination of approaches (e.g., ethnography, before/after surveys, etc.) may also prove beneficial.

Measuring the rate of adoption of the new practices over time is also important to be able to evaluate the success of the intervention.

#### 5. What are the pitfalls to avoid when incorporating behavioural insights to this policy? How should the results of behavioural trials be communicated to the public?

**Partial adoption** can play a negative role: when the majority of staff is not keen to embrace change, peer pressure can downplay others' motivation.

Additionally, **buy-in from the leadership** is very important so that an open, co-design approach with staff can effectively take place.

## 2.7. Taxation

### Policy issue: *how to increase tax compliance?*

#### 1. What is the current picture of the policy issue?

To a certain extent, all EU Member States face the issue of **tax evasion** by businesses and citizens. Public authorities all over Europe are searching for possibilities to increase tax compliance. Ideas inspired by behavioural sciences might help. For instance, there seems to be scope for more **voluntary tax compliance** through increased **transparency**.

**All stages of the policy cycle** can benefit from the application of behavioural insights to increase tax compliance: design, details of implementation, often lack of evaluation, and details of enforcement.

#### 2. Is there a "behavioural element" explaining the policy issue?

Certainly, there are a number of "behavioural elements" regarding tax compliance.

Relying on threat of enforcement alone might produce suboptimal outcomes, as control is costly and too much of it risks hindering citizen trust in the state and voluntary tax compliance.

Increasing voluntary tax compliance is about changing the **perception** of taxes and about changes in citizens' **attitudes towards taxes**. The more positive **feelings about their state**, the more citizens will be willing to comply. Perceptions and attitudes are subject to potential changes triggered by insights from behavioural sciences.

#### 3. What are the behavioural levers (vs. standard tools) available to tackle the policy issue?

There is no standard solution. Each country, with its own institutional structure and legal system, would have to search for a tailored approach.

However, there are two major behavioural aspects – simplicity and personal information – that should lead to more voluntary tax compliance wherever it is applied:

- The **simpler** the legal framework and administrative procedures, the more likely people are to be compliant.
- The more **tailored** the approach of tax administration to the individual

characteristics of the tax payer in addressing and providing support, the more one can expect voluntary tax compliance.

#### 4. How can the behavioural levers be tested and practically adopted?

Introducing new approaches for increasing tax compliance or modifying existing measures should be combined with a very diligent **pre-testing**. If a change or new measure unexpectedly reduces tax compliance, it could end up being very costly for the state. Therefore any kind of pre-testing is highly recommendable.

As randomised field trials are usually not an option due to the obligation of non-discriminatory treatment of citizens and taxes as guaranteed in national constitutions, most of the pre-testing has to rely on tools like **focus groups**, personal **interviews** or large scale **surveys** on how changes or new measures are perceived by citizens.

#### 5. What are the pitfalls to avoid when incorporating behavioural insights to this policy? How should the results of behavioural trials be communicated to the public?

The most important element of voluntary tax compliance is **positive reciprocity** of the citizens: the more the state is perceived as a public good, the more people will voluntarily comply with taxes.

Behavioural interventions can only work provided that there is a **positive perception of the state**. If the state faces a negative perception by citizens, this would have to be the first issue to be tackled. **Transparency** on budget spending can help increase the positive perception of the state, but only to a certain extent.

### 3. Improving the effectiveness of policies using behavioural insights

At the start of the afternoon session, Baudouin Regout, from the European Commission's Secretariat-General, delivered a presentation on "Improving the effectiveness of policies across the EU: the case of behavioural insights." The Secretariat-General is responsible for the Commission's **Better Regulation Agenda**, which calls for evidence-based policy-making with the objective of delivering more effective policies and transparency in the EU decision-making process. The Better Regulation Agenda is supported by a "toolbox," which **recognises the potential of behavioural insights** for supporting more effective, evidenced-based policy-making throughout the different stages of the policy process (i.e., conception, implementation, evaluation, and enforcement). For instance, the toolbox recommends using behavioural trials to compare different policy options and tailor policy remedies before implementation.

### 4. Cooperating at EU level for behavioural policies

In the last session, participants of the workshop examined how cooperation at EU level in using behavioural sciences could help support better anticipation, formulation, implementation and evaluation of policies. During this hands-on session, participants worked in small groups discussing one of the following three topics: (1) access to relevant information, (2) cooperation with other Member States, and (3) collaboration with research institutions. Before the actual discussion, participants filled in a **survey** designed to capture their views on these issues.

#### Access to relevant information

There are four pieces of information that Member States need in order to efficiently use behavioural insights for policy. In decreasing order of importance, they are the following:

- Evidence of the **outcomes of behavioural trials** and behavioural policies.  
The key piece of information that Member States need is existing evidence regarding the results of actual behavioural policies or of behavioural trials (e.g., lab experiments, randomised controlled trials) conducted in other Member States. Access to unexpected results and null results (i.e., interventions that have no significant effect) is considered as important as access to positive results. Information on sample sizes and magnitude of the effect is also important in order to assess the quality of this evidence. The rationale for the need to access such data is to avoid the duplication of efforts and to promote more effective interventions by preventing certain pitfalls.
- **Methodologies.**  
Member States are also interested in knowing the precise methodology that others have used to carry out behavioural experiments, with the purpose of furthering their own knowledge or replicating a given experiment to assess the robustness of effects in their own cultural setting.
- Findings from **scientific behavioural research.**
- **Datasets.**

According to the survey among workshop participants, **Member States vary** greatly in terms of access to this information. According to the workshop participants, the European Commission has a role to play in this as the above-mentioned information is often scattered and only available in national languages. The European Commission could help **bringing together this information** in a user-friendly format. An online platform where officials in Member States would be able to upload and regularly update planned experiments, ongoing experiments and policy interventions seems appropriate.

#### Cooperation between Member States

The survey showed that the majority of Member States have never collaborated with other governments in applying behavioural insights to policy, although there was a strong agreement with the idea that such

**partnership would be beneficial.** According to the respondents, the top 3 policy areas that could benefit most from this would be health, environment, and employment.

Besides **exchanging experiences**, methodologies and results regarding the application of behavioural insights to policy (see previous section), some Member States are also keen to move to a **more structured type of cooperation**. In particular, there is interest in collaborating through **joint studies** across various Member States. Beyond their collaborative value, joint studies can also contribute to sharing costs.

In terms of identifying relevant partners among Member States, they depend on the specific policy area for which behavioural insights are envisaged. A survey could regularly ask all Member States to list all their envisaged behavioural interventions. On the long run, this type of survey could allow building a community of practice of Member States with similar interests. Local governments are potential partners to work with given their closeness to implementation and operational savviness.

To these ends, participants considered that the European Commission could play a decisive role in three ways:

- By **mapping the different actors** involved in applying behavioural insights to policy, it can help Member States spot the most appropriate partner.
- It can **bring the different Member States around the table**, for instance through workshops, both generic and policy-specific, and both offline and online. Networking is indeed important to get to know the different actors and to start levelling the very uneven expertise in behavioural insights across Member States. According to the survey, workshop participants strongly agreed with this connecting role for the European Commission.
- Finally, the European Commission could have an added value in bringing Member States together to **collaborate in research projects** applying behavioural insights to policy. Environmental policies, health policies and single market policies are areas where cooperation at EU level seems most relevant (according to the survey and the discussions), given that these policies should not be limited to the borders of national states.

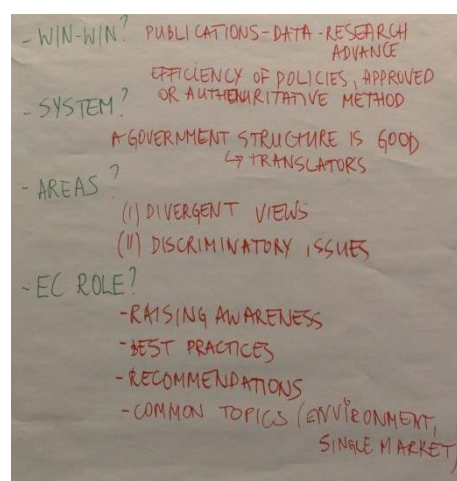
## Collaboration with research institutions

All workshop attendees who participated in the survey agreed that they would benefit from further collaboration between public administrations and **academic researchers**, which could result in a **win-win situation**.

On the one hand, researchers in the academic community are very interested in using public data as long as they can publish the findings, as this type of real, often high-quality data can bring significant contributions to the literature.

On the other hand, public administrations can enhance the efficiency of evidence-based policies by taking advantage of the **rigorous methods and appropriate theories** used in academic research. **Officials should get involved** in the design of the research in order to avoid purely scientific findings not well attuned to the needs of policy-makers. This would further allow a smoother adoption of the results of the behavioural findings to actually inform policy. A centralised government unit dedicated to behavioural insights would be useful to secure a systematic **long-term collaboration** with research institutions, as it would allow a good level of expertise from the government side, a common language and a single entry point of contact for academic researchers.

Identifying relevant partners in the academic community can be difficult. By running a preliminary review of the literature in behavioural sciences relevant to the policy topic at stake, it is





possible to identify external scientific experts. However, not all academics have an interest in contributing to policy. One possible suggestion to ease this identification process would be the inclusion on pages such as ResearchGate.net of a box for researchers to tick if they are interested in applying their findings to policy. Second, the creation of an annual prize for the best research in behavioural sciences applied to policy could also contribute to this process. Students in behavioural sciences may also constitute valuable partners given their usual keen interest in policy issues.

There is no specific policy area that would benefit from collaboration between public administrations and research institutions. However, **policy issues** that are subject to very **divergent views** would benefit from the objective insights of academic researchers.

The European Commission has a definite role to play in raising awareness among policy-makers about the benefits of collaborating with research institutions to use behavioural insights. To do so, it can set the example by establishing partnerships with research institutions to carry out behavioural research applied to policy, for instance through its Horizon 2020 Framework Programme.

## 5. Workshop evaluation and future work

The feedback gathered from the participants was very positive, with almost everyone (92%) agreeing that the workshop had been useful to generate new insights and new perspectives and everyone (100%) agreeing that it was a useful way to foster collaboration across services. Overall, the workshop experience was seen as "very good" (43%), "good" (48%) or "average" (9%) by participants. Specifically, the fact that the workshop brought together policy-makers working or interested in behavioural insights from the Commission as well as from Member States was also seen as very positive. Avenues to enhance future workshops include involving academics and featuring more concrete examples in the policy issues proposed for analysis.

As to proposals for the future, these included:

- hosting policy-specific workshops to allow more in-depth exchanges on specific issues;
- providing training on concrete methodological and conceptual issues (e.g., randomised controlled trials and other methods, ex-ante testing and ex-post evaluations, etc.);
- fostering a network approach for continuous learning by establishing a regular event or creating a platform to allow Member States to share their experiences, studies and results (see Section 4 for more details).

## 6. Annexes

### 6.1. List of organisations represented at the workshop

#### Governments

Country	Organisation
Austria	Federal Ministry of Families and Youth
Bulgaria	National Revenue Agency
Cyprus	Tax Department
Estonia	Ministry of Finance
Finland	Prime Minister's Office
Finland	Prime Minister's Office
France	General Secretariat for Modernization of Public Action
France	Ministry of Ecology, Sustainable Development and Energy
Germany	Federal Chancellery
Greece	Ministry of Economy
Greece	Ministry of Finance
Hungary	Ministry for National Economy
Hungary	National Institute of Pharmacy and Nutrition
Ireland	Department of Public Expenditure and Reform
Italy	National Commission for Companies and the Stock Exchange
Italy	Regional Council of Lazio
Latvia	Consumer Rights Protection Centre
Lithuania	Consumer Rights Protection Authority
Netherlands	Authority for Consumers and Markets
Netherlands	Ministry of Economic Affairs
Netherlands	Ministry of Infrastructure and the Environment
Norway	Ministry of Health
Norway	Ministry of Local Government and Modernisation
Poland	Ministry of Finance
Portugal	Ministry of Economy
Portugal	Ministry of Health
Spain	Ministry of Finance and Public Administration
Sweden	Consumer Agency
Sweden	Government Offices
United Kingdom	Department for Business Innovation and Skills
United Kingdom	Financial Conduct Authority

#### European Commission and OECD

	Directorate-General (DG)
European Commission	DG Employment, Social Affairs and Inclusion
European Commission	DG Environment
European Commission	DG Financial Stability, Financial Services and Capital Markets Union
European Commission	DG Joint Research Centre
European Commission	DG Justice and Consumers
European Commission	DG Taxation and Customs Union
European Commission	Secretariat-General
OECD	Directorate Public Governance and Territorial Development
OECD	Environment Directorate

## 6.2. Agenda

08:30 – 09:00	Welcome coffee and tea
09:00 – 09:10	<b>Welcome address and setting-the-scene of the workshop</b> <i>Xavier Troussard, Foresight and Behavioural Insights Unit, Joint Research Centre</i>
09:10 – 09:45	<b>Icebreaker</b>
09:45 – 11:15	<b>How can behavioural insights be applied to specific policy issues? (hands-on session)</b>
11:15 – 11:45	Coffee and tea break
11:45 – 12:45	<b>How can behavioural insights be applied to specific policy issues: conclusions</b>
12:45 – 14:00	Lunch
14:00 – 14:30	<b>The effectiveness of policies across the EU: the case of behavioural insights</b> <i>Baudouin Regout, Secretariat General of the European Commission</i>
14:30 – 15:45	<b>Cooperation at EU level for behavioural policies (hands-on session)</b>
15:45 – 16:00	Coffee and tea break
16:00 – 16:30	<b>Cooperation at EU level for behavioural policies: conclusions</b>
16:30 – 16:45	<b>Closing remarks</b> <i>Xavier Troussard, Foresight and Behavioural Insights Unit, Joint Research Centre</i>

### 6.3. Policy card: template

## POLICY ISSUE

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### 1. What is the current picture of the policy issue?

a. Provide a snapshot of the policy issue, possibly mentioning the main determinants of the current situation in the different European countries. Identify the target population and the desired outcome.

b. Identify where the issue lies in the policy-making process: design, implementation, evaluation, enforcement.

### 2. Is there a "behavioural element" explaining the policy issue?

Identify whether there is a "behavioural element" for the policy issue, which applies if any of the following conditions is fulfilled:

- behavioural change is the main objective of the policy
- people's behavioural response affects the effectiveness of a given policy
- the key decision-makers involved in the policy-making process are subject to behavioural biases.

### 3. What are the behavioural levers (vs. standard tools) available to tackle the policy issue?

Beyond standard solutions, identify a behavioural lever for each of the behavioural elements of the policy issue.

For example, if gamblers are overconfident (i.e., element), one may consider encouraging self-commitment strategies (i.e., lever); if consumers are sensitive to social pressure but are not energy savvy (i.e., element), one may consider using social norms to encourage energy savings (i.e., lever).

### 4. How can the behavioural levers be tested and practically adopted?

Choose the appropriate methodology for testing the proposed behavioural levers.

Identify constraints (e.g., time, resources, capacity) and consider possible partnerships (e.g., with public, private, academic institutions) for testing and adopting the behavioural levers.

### 5. What are the pitfalls to avoid when incorporating behavioural insights to this policy? How should the results of behavioural trials be communicated to the public?

a. Consider the actual policy-making process and how behavioural evidence may inform an intervention for this policy issue. Identify the likely pitfalls and possible ways to avoid or overcome them.

b. Consider a communication strategy to ensure citizen engagement and transparency in the use of the behavioural approach.



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